

Message Text

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ACTION EB-04

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 1173

INFO AMEMBASSY BERN

USMISSION EC BRUSSELS

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C O N F I D E N T I A L ROME 7273

LIMDIS

GREENBACK

E.O. 11652: GDS

TAGS: EFIN, IT

SUBJECT: EVENTUAL REJOINING OF EC SNAKE BY ITALIAN

LIRA

PASS TREASURY AND FRB

1. ON MAY 19 TREAS ATT ASKED MINISTRY OF TREASURY DIRECTOR GENERAL PALUMBO ABOUT CURRENT GOI ATTITUDE TOWARD EVENTUAL REJOINING OF EC SNAKE BY ITALIAN LIRA IN VIEW OF INDICATION BY FRENCH PRESIDENT THAT FRENCH FRANC WOULD REJOIN SNAKE AND IN LIGHT OF RECENT INTEREST IN POSSIBLE ASSOCIATION OF SWISS FRANC WITH SNAKE. PALUMBO REPLIED THAT ITALIANS STILL FEEL THAT SNAKE IS TECHNICALLY DEFICIENT IN ITS OPERATIONS AND THAT ABSENCE OF CLOSER HARMONIZATION OF ECONOMIC POLICIES CONTINUES TO BE SERIOUS IMPEDIMENT TO ATTEMPTS TO CLOSELY LINK EC EXCHANGE RATES. HE WAS ALSO
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CONCERNED ABOUT POLITICAL ASPECT OF RETURN OF LIRA

TO SNAKE WHICH WOULD REQUIRE FORMALIZING OF DE FACTO DEPRECIATION OF LIRA AGAINST OTHER EC CURRENCIES. WHILE ITALIAN BANKS AND BUSINESSES HAVE BECOME ACCUSTOMED TO CURRENT DE FACTO LEVEL OF LIRA EXCHANGE RATES, GOI COULD NOT OVERLOOK POSSIBLE ADVERSE POLITICAL CONSEQUENCES OF FORMALLY ACKNOWLEDGING DEVALUATION.

2. ON OTHER HAND, PALUMBO RECOGNIZED THAT THERE MAY BE INCREASED POLITICAL PRESSURES ON ITALY FOR LIRA TO REJOIN SNAKE. ALSO, BOI GOVERNOR CARLI RECENTLY TOLD TREASATT THAT IN PRINCIPLE HE WAS IN FAVOR OF ANY MEASURES THAT CONTRIBUTED TO CLOSER EC MONETARY INTEGRATION, EVEN THOUGH HE RECOGNIZED POSSIBLE DIFFICULTIES AND RETURN OF LIRA TO SNAKE. PALUMBO THOUGHT THAT EXPERIENCE OF FRANCH FRANC FOLLOWING ITS PRESUMED RE-ENTRY MIGHT ALSO BE USEFUL GUIDE IN DETERMINING ABILITY OF GOI TO RE-INTEGRATE LIRA INTO EC SNAKE. VOLPE

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Message Attributes

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